



NEWS

FEDERAL COMMUNICATIONS COMMISSION
1919 M STREET, N.W.
WASHINGTON, D.C. 20554

News media information 202 / 632-5050
Recorded listing of releases and texts
202 / 632-0002

This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action. See MCI v. FCC, 515 F.2d 385 (D.C. Cir. 1974).

Report No. ACTION IN DOCKET CASE February 22, 1994

FCC RELEASES FINAL REPORT ON CABLE RATE SURVEY

(MM Docket No. ~~92-126~~)

92-266

The final report of the FCC's survey of cable television rates reveals that, on average, regulated revenues received from cable services (adjusted for programming shifted to a la carte offerings) have decreased; programming charges have declined slightly; equipment and installation charges have dropped substantially; and subscribers have primarily received benefits from reductions in equipment rates.

The survey directed the country's twenty-five largest multiple system operators to submit information on the ten largest systems expected to be governed by benchmark regulation. The FCC's questionnaire requested information on rates for regulated cable services; the average per subscriber regulated revenue for the last billing cycle ending before April 5, 1993; and the projected average per subscriber regulated revenues based on rates in effect on September 1, 1993.

Nine of the twenty-five operators surveyed generally removed channels offered in April as part of cable programming service (CPS) tiers and offered them in September both on an individual channel basis (a la carte) and in packages discounted from the individual channel charges. Three additional operators introduced a la carte offerings to a limited extent in a total of fourteen systems.

Our analysis of the changes in charges for programming services and equipment reveal the following:

Regulated Revenues

- The reported average regulated revenue per subscriber, even with the addition of the revenues from programming shifted to a la carte offerings, declined by 5.9%, or \$1.50 per month, from \$25.61 to \$24.11.
- These results are not inconsistent with previous estimates that the nationwide consumer savings from benchmark regulation could be as much as a billion dollars.

- Operators not introducing a la carte offerings reported that 67.6% of subscribers received reductions in their regulated bills, while 30.5% of subscribers received increases in their regulated bills. Seven of the non-a la carte operators provided, on a voluntary basis, figures for the average size of the increases and decreases in regulated bills. Increases averaged \$1.37 and decreases averaged \$3.73.

Basic-Only Services

- On average, basic-only programming charges increased by 2.0% (\$0.21).
- Generally, increases in basic-only programming were caused by increases in the number of channels. The average rate per channel declined 16.4%, but the average number of channels included in the basic tier increased by 2.8 channels. The increase in programming charges and in channels appears to be attributable to systems where operators collapsed their tiers of programming into a single basic tier.
- In some cases, the increase is also partly attributable to adjustments permitted under the benchmark to raise rates per channel that were lower than average in April.

Basic-only Subscribers

- In 203 systems, the approximately 458,000 basic-only subscribers saw on average a 3% reduction.
- In the 42 systems where all tiers were collapsed into basic, basic-only subscribers experienced large increases in charges and received additional channels. The increases averaged approximately 40% and affected charges for approximately twenty-seven thousand out of the 14 million subscribers surveyed.

Cable Programming Services

- The number of CPS tiers dropped 38.5%, from an average of 1.51 CPS tiers per system to 0.93. In April, virtually all subscribers had the choice of taking more than a single basic tier of regulated service. Basic-only subscribership rose from 3.4% to 13.4% in September, and this is wholly attributable to the elimination of CPS tiers by some cable operators.
- In those systems where operators removed channels offered in April as part of CPS tiers and offered them

instead in September on an a la carte basis, subscribers wanting to continue to receive the April CPS channel lineups had to pay additional charges for the a la carte packages.

- The programming charge for all tiers (regulated tiers and a la carte packages) declined on average by 1.5% (\$0.34) and the average number of channels offered increased by 1.8 channels.
- Substantial numbers of subscribers also take an unregulated premium service such as Home Box Office (HBO). The programming charge for subscribing to all tiers, after adjustment for a la carte, and HBO was virtually unchanged.

Equipment

- For most subscribers, the amount of savings experienced was determined by the amount of equipment they required. The more equipment, the greater the savings.
 - A basic-only subscriber with one cable ready TV saw the charge for programming plus equipment increase 2.5% (\$0.27). The charge for basic-only with a non-cable ready TV decreased 5.8% (\$0.74).
 - A subscriber to all tiers (including a la carte packages) with one cable ready TV saw charges decrease 0.5% (\$0.13). The charge for all tiers with a non-cable ready TV decreased 6.2% (\$1.60).
 - A subscriber to all regulated tiers of service, including a la carte packages, and HBO with a cable ready TV saw charges decrease 1.8% (\$0.66). The charge for the same service with a non-cable ready TV decreased 3.3% (\$1.23). As the amount of equipment increased, savings went up rapidly. The charge for all tiers plus HBO with two non-cable ready TVs went down 15.1% (\$7.01).
- The majority of the change in charges observed between April and September was in the average charges for remotes and additional outlets: rates for remotes declined nearly 90%, from \$2.08 to \$0.23 per month, and rates for additional outlets declined 97%, from \$4.69 to \$0.14 per month.
- Charges for non-addressable converters decreased 1.5%,

from \$0.66 to \$0.65 per month. This small change conceals the fact that there were large decreases where operators already charged separately for converters. These decreases were netted out by the introduction of unbundled charges by other operators. The monthly rate for addressable converters rose 25.9%, from \$1.70 to \$2.14. This large change was primarily due to operators introducing unbundled converter charges rather than operators increasing existing charges.

- Charges for installations went down significantly. Charges for prewired installations declined 27.6% (\$10.63). Charges for unwired installations declined 8.9% (\$4.08).

Survey data is available for inspection at the Federal Communications Commission, Cable Services Division, Room 207, 2033 M Street, N.W., Washington, D.C. during normal business hours. The data will also be made available in electronic form.

News Media Contact: Maureen Peratino at (202) 632-5050.
Mass Media Contact: Hugh Boyle at (202) 416-0802.

February 22, 1994

STATEMENT
OF
COMMISSIONER ANDREW C. BARRETT

Today, the Commission releases the results of the Rate Survey that includes an analysis of the impact of rate regulation on cable television rates after its rules became effective on September 1, 1993.

On September 17, 1993, the Commission initiated the survey in order to develop a better understanding of the rate changes that were taking place after the effective date of its regulations. The task was to compare the rates which were charged by cable operators prior to regulation in April 1993 to those rates charged by operators on September 1, 1993. The participants in the survey included the ten (10) largest benchmark regulated systems of the twenty-five (25) largest multiple system operators (MSOs), representing approximately 25% of all cable television subscribers.

It is important to emphasize several factors with respect to this survey. First, the Commission predicted upon promulgation of its rate regulations in April, that subscribers would generally experience a rate savings of \$1 billion from their overall cable bills. In this survey, even after mitigating the level of rate decreases by certain factors such as the adjustment of channel lineups by certain operators, rate savings still amount to \$1.50 per subscriber or approximately \$1 billion nationwide. This result is generally consistent with the Commission's expectations for rate regulation as of April 1993.

Second, the rate survey does not conclusively support an assessment that operators who have opted to provide a la carte offerings since April 1, 1993 are presumptively "bad faith" actors. My analysis of the rate survey tables indicates that rates decreased for several of the a la carte operators in the survey. Moreover, in certain instances where increases were noted, subscribers received additional channels. Therefore, we must exercise caution when analyzing a la carte actions in this survey.

Finally, we must be mindful that the survey was limited in scope and not conducted in a random manner. Thus, it is inconclusive in many ways. To the extent that any inferences are drawn from these rate survey results, they should serve only as a starting point for assessment of the impact of the Commission's rate regulations. A more comprehensive and random survey is needed to determine the effect of our rules on cable operators' rates.